

The Official Website of the Department of Revenue (DOR)

Department of Revenue

[Mass.Gov Home](#) [State Agencies](#) [State Online Services](#)



Mass.Gov

[DOR Home](#)

[For Individuals and Families](#)

[For Businesses](#)

[For Local Officials](#)

[For Tax Professionals](#)

[Home](#) > [Businesses](#) > [Help & Resources](#) > [Legal Library](#) > [Letter Rulings](#) > [Letter Rulings - By Year\(s\)](#) > [1984 and Prior](#) > [1979 Rulings](#) >

Letter Ruling 79-44: Advance Payments of the Earned Income Credit

SEARCH

Select an area to search

Search

November 5, 1979

In your letter of October 9, 1979 you request information on the income taxability of advance payments of the earned income credit.

The earned income credit is a federal tax credit available to certain low income employees. Under Section 43 of the Internal Revenue Code the credit is 10% of earned income up to \$5,000. If earned income is greater than \$6,000 the credit is reduced by 12½% of the excess of the adjusted gross income on earned income over \$6,000. The credit is completely eliminated if adjusted gross income on earned income exceeds \$10,000.

An eligible employee may receive the credit as an additional credit on his income tax return or have advance payment of the credit added to his pay for each payroll period (Internal Revenue Code, Section 3507).

The aggregate amount of advance payments which an employer makes to his employees in any pay period is treated as payment by the employer for that pay period of withholding and F.I.C.A. taxes. The amount of F.I.C.A. and withholding taxes which the employer must pay to the federal government is reduced by the amount of advance payments of the earned income credit.

You ask whether the federal earned income credit, paid in advance in cash to the employee is taxable income to the employee under Massachusetts General Laws Chapter 62.

Massachusetts gross income is defined as federal income with modifications not here relevant. To the extent that an item of income is not includible in federal gross income for a taxable year, it is not includible in Massachusetts gross income for the tax year. The earned income credit, which is a credit against tax, is not includible in federal gross income.

Based on the foregoing, it is ruled that the earned income credit, whether it is received in advance payments from the employer or in the form of an income tax credit, is not taxable income under Massachusetts General Laws Chapter 62.

Very truly yours,

/s/L. Joyce Hampers

L. Joyce Hampers
Commissioner of Revenue

LJH/RSF/jmcd

LR 79-44